



9 STEPS TO BECOME *An Investor*



EXCLUSIVELY PREPARED FOR

Canco Real Estate Clients

This guide is designed to help our clients navigate the process of building and growing a real estate investment portfolio.



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Introduction

Rental property investing is about more than simply buying a home, finding a tenant, and collecting rent each month.

A successful investment starts with clear goals, a sound financial plan, reliable market data, and a well-structured approach to property operations.

This guide walks you through 9 essential steps, from defining your investment strategy to managing and growing your real estate portfolio with greater confidence.

We hope this guide gives you a clearer understanding of the investment process and the financial options you may consider along the way.

— Clara Anh Nguyen
Broker | Canco Real Estate

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Each step is designed to help you make confident, data-driven decisions — rather than decisions based on emotion.

01

STEP 01

Define Your Investment Goals

Start With Your Investment Goal

Before you start looking for a property, define **what you want your investment to accomplish.**

Your goals will directly influence your target market, property type, budget, financing, and management strategy.

WHAT IS YOUR PRIORITY?



Cash Flow

Consistent monthly income



Appreciation

Long-term property value growth



Balanced Strategy

A combination of cash flow and appreciation

QUESTIONS TO ANSWER BEFORE YOU START

- How long do I plan to hold the property?
- What is the minimum monthly cash flow I want to achieve?
- What is my target ROI / Cash-on-Cash Return?
- If market conditions change, what is my exit strategy?



INVESTOR TIP

Not every property can deliver both strong cash flow and significant appreciation. Define your priorities first and let the numbers guide your decisions.



Assess Finances & Prepare Capital

Know Your Numbers Before You Buy

The cost of investing goes beyond the down payment. A sound financial plan should account for both upfront costs and ongoing operating expenses.



UPFRONT COSTS

- Down payment: ~20–25%
- Closing costs
- Inspection & appraisal
- Make-ready / initial repairs



ONGOING COSTS

- Mortgage & property tax
- Landlord insurance & HOA
- Maintenance & repairs
- Property management
- Vacancy, leasing & turnover

DON'T USE ALL YOUR CASH AT CLOSING!

~ 6 Months

of operating expenses in reserves

10–15%

cash buffer after closing for
unexpected expenses

Keep make-ready and turnover costs separate from monthly operating expenses to get a more accurate picture of your cash flow.

WORK WITH A LENDER EARLY — PRE-APPROVAL HELPS YOU UNDERSTAND:

- Your actual loan capacity & interest rate
- Cash reserve requirements
- DTI / DSCR
- Rate lock & discount points



INVESTOR TIP

Stress-test your cash flow using less favorable scenarios: higher interest rates, longer vacancies, or additional maintenance expenses.

If the numbers still work, you have a stronger margin of safety.

03

STEP 03

Choose the Right Investment Market

Location Drives Rental Performance

A beautiful home is not necessarily a good investment if it is located in an area with weak rental demand. Evaluate each market using the **3R Framework**:

R

Rentability

Rental Potential

- Proximity to employment centers
- Convenient transportation
- Schools & amenities
- Proven rental demand

R

Resilience

Market Stability

- Stable population & household income
- Lower crime rates
- Strong infrastructure
- Ability to preserve property value

R

Regulations

Rental Regulations

- City ordinances
- HOA restrictions
- Rental caps
- LT / MT / STR regulations

BEFORE CHOOSING A MARKET, ALSO REVIEW:

Property Tax + HOA + Insurance

Rent Comps + Rental DOM + Seasonality

Use at least 3–5 comparable rental properties to evaluate realistic rental rates and local demand.

INVESTOR TIP

Don't choose an area simply because you would like to live there.
Choose an area where your target tenants want to live.

**ANCO**
REAL ESTATE

Choose the Right Property Type

Choose the Property That Fits the Strategy

There is no single property type that works for every investor.

Single-Family Home

Best suited for: New investors or those prioritizing stability.

ADVANTAGES

- Easier to rent & manage
- Tenants often stay longer
- Strong resale marketability



Townhome / Condo

Lower entry price, with some exterior maintenance typically handled by the HOA.

ADVANTAGES

- Potentially lower entry price
- Some maintenance handled by HOA

CONSIDERATIONS

- HOA fees
- Rental restrictions
- Parking / pet rules



Duplex / Triplex / Fourplex

Multiple rental income streams, but more complex to operate.

ADVANTAGES

- Multiple sources of rental income
- Reduced risk of losing all rental income from a single vacancy

CONSIDERATIONS

- More complex management
- More tenants & maintenance responsibilities



New Build vs. Resale

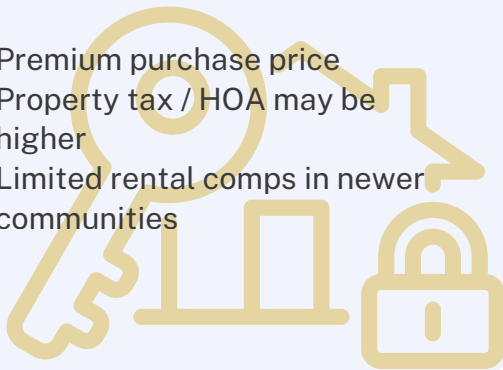
New Build

ADVANTAGES

- Less maintenance in the early years
- Better energy efficiency
- Less make-ready work

CONSIDERATIONS

- Premium purchase price
- Property tax / HOA may be higher
- Limited rental comps in newer communities



Resale

ADVANTAGES

- More established rental history & comps
- Potentially better entry price

CONSIDERATIONS

- Roof, HVAC & foundation
- Plumbing & water heater
- Major CapEx may come sooner



When buying a rental property, let the numbers decide first — and emotions second.

THE 80/20 RULE

A primary residence and an investment property may share 80% of the same selection criteria — safety, amenities, schools, infrastructure, and more.

But the remaining 20% — property taxes, HOA, property management, vacancy, and other investment-specific costs — **can determine whether the deal is actually profitable.**



Analyze Returns & Make an Offer

Let the Numbers Make the Decision

Before making an offer, start with realistic rental income. Review 3–5 comparable rentals, prioritize properties that have recently rented, check rental DOM, and evaluate vacancy and seasonality. Don't rely solely on **automated rent estimates**.

KEY METRICS TO TRACK

CAP RATE

$\text{NOI} \div \text{Purchase Price}$

Reference Benchmark::

~ 6%+

CASH-ON-CASH

$\text{Annual Pre-Tax CF} \div \text{Total Cash Invested}$

Reference Benchmark:

~ 7%+

DSCR

$\text{NOI} \div \text{Annual Debt Service}$

Reference Benchmark:

~ 1.20+

These benchmarks should be used as general reference points only. The right deal depends on the market, financing structure, risk tolerance, and each investor's individual goals.

BEFORE MAKING AN OFFER, DON'T FORGET TO ACCOUNT FOR:

- Vacancy
- Maintenance
- Property management
- Property tax
- Insurance
- HOA
- Make-ready / turnover

Your Realtor may also help negotiate seller credits, closing costs, or a rate buydown to improve the overall investment numbers.

The #1 Rule: Numbers First. Property Second.



Inspection & Appraisal

Verify Before You Commit

Once your offer is accepted, the inspection and appraisal serve as two important layers of due diligence before closing.

INSPECTION

For a rental property, the goal is not simply to identify defects. It is also to answer:

“How much additional capital will this property need to operate reliably?”

PAY CLOSE ATTENTION TO:



Foundation, Roof, HVAC



Water heater, Plumbing



Moisture, Electrical

Based on the inspection report, you and your Realtor can evaluate whether to:

- Request repairs
- Negotiate a repair credit
- Adjust the purchase price

When possible, have a contractor estimate the cost of major repairs or replacements.

APPRAISAL

The appraisal helps the lender determine the property's market value. If the appraised value comes in below the purchase price, you may need to:

- Renegotiate with the seller
- Adjust your financing
- Bring additional cash to cover the appraisal gap

INVESTOR TIP

Maintain an additional 3–5% in flexible funds so you are better prepared for unexpected costs before closing.



Closing & Property Setup

Set Up Your Investment Like a Business

After closing, you don't just own a house — you are now operating an income-producing asset.

BEFORE CLOSING — REVIEW CAREFULLY

- Closing Disclosure
- Settlement Statement / ALTA
- Credits & prepaid items
- Escrow & wire instructions

AFTER CLOSING — SET UP IMMEDIATELY

1

Landlord Insurance

Make sure your policy is appropriate for an investment/rental property and review coverage for property damage, loss of rent, and liability.

2

Separate Finances

Separate your rental property's income and expenses from your personal finances to simplify cash-flow tracking, bookkeeping, tax preparation, and future refinancing.

3

Utilities

Keep utilities active during the make-ready period and transfer them to the tenant when appropriate.

4

Document Storage

Maintain organized records of: purchase documents, insurance, lease, repair invoices, receipts, tax/HOA records.

Manage your rental property like a business from day one.

Find & Screen Tenants

Turn the Property Into Income

STEP 1 — CHOOSE YOUR MANAGEMENT APPROACH



Self-Manage

You handle the listing, screening, lease, maintenance, and tenant communication yourself.

Advantage: Save on management fees and maintain direct control.



Property Manager

A PM can handle listing, tenant management, leases, maintenance, and reporting. Fees are typically ~8–10% of monthly rent, with possible additional leasing and service fees.

STEP 2 — MAKE IT RENT-READY

- Deep clean & touch-up paint
- Check locks; test HVAC & plumbing
- Landscaping & lighting check
- Take bright, clean, high-quality photos/videos

Your Listing should clearly include:

- Property features & rent
- Availability & pet policy
- Income requirements
- Move-in date

A clear listing with strong photos and complete information can significantly reduce vacancy time compared with an incomplete or poorly presented listing.

INVESTOR TIP

Thorough screening and a well-structured lease in Steps 3–4 will play a major role in your overall landlord experience.

Screening & Lease Agreement

STEP 3 — TENANT SCREENING

The right tenant can significantly reduce vacancy, turnover, and future operational issues. Establish consistent screening criteria, including:

- Income & Credit
- Background check
- Rental history
- Employment verification

Reference Benchmark

Gross income ~ 3x monthly rent
(Depending on your screening policy and applicable requirements.)

STEP 4 — LEASE AGREEMENT

Your lease should clearly address:

- Rent & due date
- Security deposit
- Pet policy & late fees
- Maintenance responsibilities
- Utilities & parking
- Landscaping
- Renewal / termination
- Property inspection

Use Texas-compliant lease documents appropriate for your situation and maintain organized records of all executed documents.



Optimize Your Cash Flow

Protect the Asset. Grow the Portfolio.

Closing is not the finish line. A rental property requires ongoing monitoring and optimization.

TRACK MONTHLY:

- Rent received
- Operating expenses
- Maintenance
- Management fees
- Vacancy
- Net cash flow

BUILD A MAINTENANCE RESERVE

SAVING ~ 10%

of monthly rental income for your Maintenance Reserve.

Also distinguish between:

- Maintenance: Routine and smaller repairs
- CapEx: roof, flooring, HVAC, major renovations

KEEP GOOD TENANTS — REDUCE:

- Vacancy
- Leasing costs
- Make-ready & turnover

Responding promptly to maintenance requests, keeping the property in good condition, and having a thoughtful renewal strategy can often create more value than constantly replacing tenants.

REVIEW RENT — APPROXIMATELY EVERY 12 MONTHS

- Compare 3–5 rental comps
- Review property tax & insurance
- Update ROI & evaluate current rent

A closely monitored rental property will always tell you the truth: whether it is making money — or quietly costing you money.

WHEN YOU'RE READY TO GROW

From One Property to a Portfolio

Once your first property is operating smoothly, you can begin evaluating strategies for expanding your portfolio:

1

Refinance

Leverage increased equity to help prepare for your next investment.

2

BRRRR

Buy → Rehab → Rent → Refinance → Repeat

3

1031 Exchange

When eligible, consider exchanging one investment property for another to defer capital gains taxes.

Reminder: Consult with a qualified CPA, attorney, or tax professional before implementing any tax-related strategy.



INVESTOR CHECKLIST

Before You Buy

- | | |
|--|---|
| ☐ Define your investment goal | ☐ Set your ROI / Cash Flow target |
| ☐ Get pre-approved with a lender | ☐ Prepare adequate cash reserves |
| ☐ Choose your target market | ☐ Review Property Tax / HOA / Insurance |
| ☐ Pull 3–5 rental comps | ☐ Analyze Cap Rate / CoC / DSCR |
| ☐ Stress-test your cash flow | ☐ Review inspection findings & major CapEx |
| ☐ Complete appraisal & financing | ☐ Set up landlord insurance |
| ☐ Prepare the property to be rent-ready | ☐ Screen prospective tenants |
| ☐ Finalize the lease | ☐ Monitor cash flow & ROI regularly |
-

Print this checklist and bring it with you when viewing properties — or save it as a reference before making each offer.

INVEST WITH A STRATEGY. BUILD FOR THE LONG TERM.

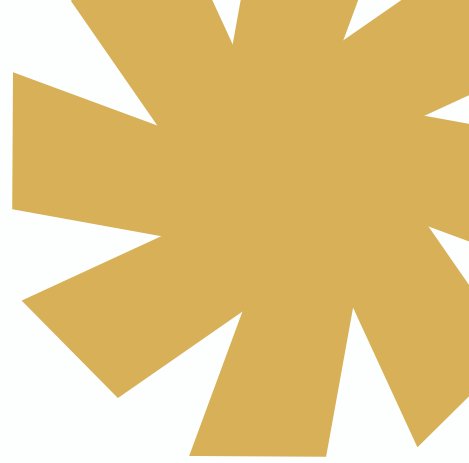
A successful investment doesn't begin with finding the “most beautiful home.”

It begins with finding a property that aligns with your goals, budget, and long-term strategy.

From choosing the right market and analyzing rental comps and ROI to making an offer, closing, and preparing the property for tenants, Clara and the Canco Real Estate team can guide you through every step of the investment process.



Closing Message



Every journey toward building wealth begins with a decision.

For many families, that decision starts with purchasing their first home.

But for those who know how to recognize and leverage opportunities, that first property can become more than simply a place to live — it can serve as the foundation for bigger financial goals in the future.

We hope this guide has provided valuable insights into how you can make the most of the value and opportunities within the real estate you own.

Wishing you and your family lasting stability, continued financial growth, and success in achieving the goals that matter most to you.

Sincerely,

Clara Anh Nguyen





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